GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5090
ANSWERED ON:20.04.2001
INSPECTION BY RBI
CHANDRA NATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) Whether the Reserve Bank of India has undertaken some key changes in the procedures to befollowed by the Central Bank`s teams while inspecting financial institutions;

(b) If so, the details thereof; and

(c) The extent to which it will be helpful for the purpose?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Yes, Sir.

(b): The modified procedure for inspection of financial institutions includes the following :

(i) The information requirement of the Inspection Team would be advised to the FIs at least a month before the commencement of inspection.

(ii) Before the commencement of the inspection, the management of the FI would be requested to make a presentation to the Inspection Team on the FIs perspective of its own risk exposures, and the manner in which these risks were addressed in the past and the future strategy of the FI in this regard.

(iii) During the course of inspection, the Inspection Team would meet the internal and external auditors to appreciate the scope of their work and the results of their audit. On conclusion of the inspection, the Principal Inspecting Officer, along with his team members, as considered necessary, would meet the Audit Committee as also the CEO of the FI to discuss the major findings of the inspection.

(iv) A system of discussing the provisioning shortfall, owing to the objective as well as subjective factors, by the Inspection Team with the statutory/external auditors in the presence of the management of the FIs, would also be followed.

(c): The above procedure is expected to ensure better time management and efficiency of the inspection process. Further, this will also assist in enhancing transparency and minimising the element of subjectivity.